METROPOLIS TOWERS APARTMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2007

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Wilkin & Guttenplan, P.C.
Certified Public Accountants & Consultants

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF

METROPOLIS TOWERS APARTMENT CORPORATION

We have audited the accompanying statement of assets, liabilities and shareholders' equity (deficit) - income tax basis of Metropolis Towers Apartment Corporation as of December 31, 2007 and the related statements of revenues and expenses - income tax basis, changes in shareholders' equity (deficit) - income tax basis and cash flows - income tax basis for the year then ended. These financial statements are the responsibility of the Corporation's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared on the accounting basis used by the Company for income tax purposes as described in Note 2 and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolis Towers Apartment Corporation as of December 31, 2007 and the results of its operations and cash flows for the year then ended, on the basis of accounting as described in Note 2.

(CONTINUED)

As discussed in Note 7, Metropolis Towers Apartment Corporation has not estimated the remaining lives and replacement costs of the components of common property. Therefore, the Corporation has not supplied information on Future Major Repairs and Replacements that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown on pages 12 through 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been summarized from the Corporation's records and, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the audit procedures applied in the audit and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

WILKIN & GUTTENPLAN, P.C.
Certified Public Accountants

East Brunswick, New Jersey

METROPOLIS TOWERS APARTMENT CORPORATION

STATEMENT OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT) - INCOME TAX BASIS

DECEMBER 31, 2007

ASSETS	
Cash	$ 4,190,171
Certificate of deposit	163,011
Accrued investment income receivable	3,568
Tenant - shareholders' assessments receivable	24,415
Prepaid insurance	62,280
Property and equipment, net of accumulated depreciation of $8,951,876	5,015,924
Mortgage acquisition costs, net of accumulated amortization of $38,255	191,275
TOTAL ASSETS	$ 9,650,644
LIABILITIES AND SHAREHOLDERS' EQUITY	
LIABILITIES	
Accounts payable and accrued expenses	$ 177,753
Due to prior management	220,000
Payroll and payroll taxes payable	10,988
Tenant-shareholder assessments received in advance	26,212
State income taxes payable	2,080
Mortgage note payable	23,293,285
Accrued interest payable	117,741
Security deposits	8,433
TOTAL LIABILITIES	23,856,492
SHAREHOLDERS' EQUITY	
Common stock, $1 par value, 250,000 shares authorized; 232,092 shares issued and outstanding	232,092
Paid-in capital	6,933,277
Operating fund deficit	(21,371,217)
TOTAL SHAREHOLDERS' EQUITY	(14,205,848)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 9,650,644

The accompanying notes are an integral part of these financial statements.

METROPOLIS TOWERS APARTMENT CORPORATION

STATEMENT OF REVENUES AND EXPENSES - INCOME TAX BASIS

FOR THE YEAR ENDED DECEMBER 31, 2007

REVENUES:	
Tenant-shareholders' assessments	$ 5,841,237
Less: Assessments collected for the retirement of debt	(135,465)
Net tenant-shareholders' assessments	5,705,772
Parking fees	463,109
Rental income	176,550
Investment income	107,433
Laundry income	84,000
Transfer fees	40,144
Storage fee income	33,050
Tenant processing fee	31,300
Late fees	4,199
Other income	2,615
TOTAL REVENUES	6,648,172
EXPENSES:	
Mortgage interest expense	1,389,974
Real estate taxes	902,487
Administrative	808,664
Building operations	482,346
Payroll	1,122,523
Utilities	1,252,832
TOTAL EXPENSES	5,958,826
EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	689,346
DEPRECIATION AND AMORTIZATION	(445,243)
EXCESS OF REVENUES OVER EXPENSES	$ 244,103

The accompanying notes are an integral part of these financial statements.

METROPOLIS TOWERS APARTMENT CORPORATION

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) -

INCOME TAX BASIS

FOR THE YEAR ENDED DECEMBER 31, 2007

	TOTAL SHAREHOLDERS' EQUITY	COMMON STOCK	PAID-IN CAPITAL	OPERATING FUND DEFICIT
BALANCES - BEGINNING OF YEAR	$ (14,585,416)	$ 232,092	$ 6,797,812	$ (21,615,320)
EXCESS OF REVENUES OVER EXPENSES	244,103	-	-	244,103
ASSESSMENTS COLLECTED FOR THE RETIREMENT OF DEBT	135,465	-	135,465	-
BALANCES - END OF YEAR	$ (14,205,848)	$ 232,092	$ 6,933,277	$ (21,371,217)

The accompanying notes are an integral part of these financial statements.

METROPOLIS TOWERS APARTMENT CORPORATION

STATEMENT OF CASH FLOWS - INCOME TAX BASIS

FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Excess of revenues over expenses	$ 244,103
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation and amortization	445,243
Change in assets and liabilities:	
Accrued investment income receivable	(3,568)
Tenant shareholders' assessments receivable	7,099
Prepaid insurance	332,454
Accounts payable and accrued expenses	(32,091)
Payroll and payroll taxes payable	10,988
Tenant-shareholder assessments received in advance	21,325
State income taxes payable	2,080
Accrued interest payable	(685)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,026,948
CASH FLOWS FROM INVESTING ACTIVITIES:	
Maturity of certificate of deposit	155,162
Purchase of certificate of deposit	(163,011)
NET CASH USED IN INVESTING ACTIVITIES	(7,849)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on mortgage note payable	(135,465)
Assessments collected for the retirement of debt	135,465
NET CASH PROVIDED BY FINANCING ACTIVITIES	-
NET INCREASE IN CASH	1,019,099
CASH - BEGINNING OF YEAR	3,171,072
CASH - END OF YEAR	$ 4,190,171
SUPPLEMENTAL DISCLOSURE:	
CASH PAID DURING THE YEAR FOR:	
State income taxes	$ 8,000
Interest	$ 1,390,659

The accompanying notes are an integral part of these financial statements.

METROPOLIS TOWERS APARTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS – INCOME TAX BASIS

DECEMBER 31, 2007

NOTE 1 - NATURE OF ORGANIZATION:

Metropolis Towers Apartment Corporation (the "Corporation"), located in Jersey City, New Jersey, is a cooperative housing corporation incorporated under Title 14 of the New Jersey Statutes. The purposes of the Corporation are to own the property, to enter into proprietary leases for the apartments and to provide for the maintenance of the common elements. The Corporation consists of 770 residential units and 3 Superintendent units located in two twenty-one story apartment towers. The towers are connected by a one-story commercial mall and parking facility.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Estimates - The preparation of financial statements in conformity with the income tax basis of accounting requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting - The Corporation prepares its financial statements on the basis of accounting it uses for Federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles. The significant difference between the income tax basis and generally accepted accounting principles for the Corporation is that the tenant-shareholder assessments charged for the retirement of debt are reflected as increase in paid in capital.

Cash - Cash is held in bank deposit accounts which, at times, may exceed federally insured limits. No losses have been experienced in such accounts.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line and modified accelerated methods over the following useful lives:

Building and building improvements	7 to 40 years
Equipment	5 to 12 years
Furniture and fixtures	5 to 12 years

Mortgage Acquisition Costs - Mortgage refinancing costs were incurred in April 2006 and are being amortized using the straight line method over the term of the mortgage note which is ten years.

(CONTINUED)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Tenant - Shareholders' Assessments Receivable - According to the By-laws, the Corporation shall, at all times, have a first lien upon the shares of each shareholder to secure the payment by such shareholder. The Board's intention is to reacquire shares of stock relating to severely delinquent units and sell them to recover the delinquent fees, if other collection actions are unsuccessful. Therefore, the Corporation has not estimated an allowance for uncollectible accounts as of December 31, 2007.

NOTE 3 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at December 31, 2007:

Building	$ 6,479,318
Building improvements	6,080,125
Land	962,830
Equipment	231,439
Furniture and fixtures	214,088
Total Property and Equipment	13,967,800
Less: accumulated depreciation	(8,951,876)
PROPERTY AND EQUIPMENT, NET	$ 5,015,924

The Corporation, under an agreement with the United States Department of Housing and Urban Development, recognized mortgage forgiveness of $5,673,200 during 1999, which reduced the Corporation's basis in both building and building improvements.

The Corporation uses estimates in determining the depreciable lives of property and equipment.

NOTE 4 - INCOME TAXES:

The Corporation prepares its tax returns pursuant to the provisions of subchapter T of the Internal Revenue Code. Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (tenant-shareholders) is deductible only to the extent of patronage income. The Corporation's non-patronage income, i.e., rental income, net of allocable non-patronage expenses, is subject to Federal and New Jersey income taxes.

(CONTINUED)

NOTE 4 - INCOME TAXES (CONTINUED):

For the year ended December 31, 2007, the Corporation had an excess of non patronage expense over non-patronage income, which resulted in no Federal income tax liability and the minimum New Jersey state tax liability. At December 31, 2007, the Corporation had approximately $14,540,000 and $5,057,000, in Federal and New Jersey respectively, patronage net operating loss carryforwards which expire over various years ending in 2021.

NOTE 5 - DUE TO PRIOR MANAGEMENT:

For the period of January 1, 2000 through December 31, 2003, the Corporation incurred management fees from Alma Realty Corporation of $20,000 per month for a total of $960,000. Alma Realty Corporation is a related entity to owners of unsold shares. As of December 31, 2007, the Corporation has paid $740,000 related to these fees. The remaining balance of $220,000 has been reflected as a liability in the accompanying financial statements.

NOTE 6 - MORTGAGE NOTE PAYABLE:

During April 2006, the Corporation refinanced its existing debt in the amount of $23,500,000. The mortgage bears interest at 5.87% per annum and is payable in monthly installments of $127,777, inclusive of interest. The note is scheduled to mature in May 2016 and is secured by substantially all of the assets of the Corporation.

As a condition of obtaining the loan, the Corporation was required to establish a certificate of deposit of $150,000 with the lender.

Principal payments for the next five years and thereafter are as follows:

YEAR ENDING DECEMBER 31,	
2008	$ 139,783
2009	152,301
2010	161,617
2011	171,502
2012	178,131
Thereafter	22,489,951
TOTAL MORTGAGE NOTE PAYABLE	$23,293,285

(CONTINUED)

METROPOLIS TOWERS APARTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS – INCOME TAX BASIS

DECEMBER 31, 2007

NOTE 6 - MORTGAGE NOTE PAYABLE (CONTINUED):

During 2006, the Corporation also obtained a $1,000,000 line of credit simultaneously with the primary mortgage. The interest rate shall be one-half percent (.5%) above the prime rate. The Corporation may draw against the line of credit in amounts not less than $50,000. Repayments during the first five years following the initial draw shall consist of interest only. Thereafter, payments shall consist of both interest and amortization at a rate of $500 per month. As of December 31, 2007, the Corporation had no amounts outstanding on this line of credit.

NOTE 7 - FUTURE MAJOR REPAIRS AND REPLACEMENTS:

The Corporation has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The Board has also not developed a plan to fund those needs. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

NOTE 8 - RELATED PARTY TRANSACTIONS:

The Corporation entered into a management agreement with Metrovest Management, Inc., providing for the maintenance and managing of the common areas and facilities. Metrovest Management, Inc. is a related entity to owners of unsold shares. (See also Note 5). Effective July 1, 2007, the Corporation changed managing agents. Management fees paid to Metrovest Management, Inc. during the year ended December 31, 2007 aggregated $120,000.

The Corporation entered into a lease agreement with Alma GPNJ, LLC for the commercial property. Alma GPNJ, LLC also owns unsold shares of the Corporation's common stock on 370 units. The term of the lease is ninety-nine (99) years commencing January 1, 2000 and ending December 31, 2098. The annual rental fee will increase every five year period based upon the consumer price index. Effective January 2005, the annual rental income is $176,550.

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METROPOLIS TOWERS APARTMENT CORPORATION

SUPPLEMENTARY INFORMATION

SCHEDULE OF TOTAL REVENUES AND OPERATING EXPENSES

AS COMPARED TO BUDGET - INCOME TAX BASIS

FOR THE YEAR ENDED DECEMBER 31, 2007

	ACTUAL	(UNAUDITED) BUDGET
REVENUES:		
Tenant-shareholders' assessments	$ 5,841,237	$ 5,832,000
Less: Assessments collected for the retirement of debt	(135,465)	(136,000)
Net tenant-shareholders' assessments	5,705,772	5,696,000
Parking fees	463,109	473,000
Rental income	176,550	177,000
Investment income	107,433	94,000
Laundry income	84,000	84,000
Transfer fees	40,144	56,000
Storage fee income	33,050	32,000
Tenant processing fee	31,300	38,000
Late fees	4,199	7,000
Other income	2,615	3,000
TOTAL REVENUES	6,648,172	6,660,000
EXPENSES:		
MORTGAGE INTEREST EXPENSE	1,389,974	1,390,000
REAL ESTATE TAXES	902,487	920,000
ADMINISTRATIVE:		
Insurance	389,642	349,000
Management fees	221,242	240,000
Legal fees	77,724	50,000
Professional fees	29,000	45,000
Legal settlement expenses	25,000	-
Office supplies and expense	20,006	12,000
Audit	16,450	24,000
State income taxes	10,080	8,000
Dues and education	8,618	9,000
Postage and photocopying	6,863	6,000
Miscellaneous administrative	3,808	27,000
Bank fees	231	1,000
Contingency	-	200,000
TOTAL ADMINISTRATIVE EXPENSES	808,664	971,000

(CONTINUED)

METROPOLIS TOWERS APARTMENT CORPORATION

SUPPLEMENTARY INFORMATION

SCHEDULE OF TOTAL REVENUES AND OPERATING EXPENSES

AS COMPARED TO BUDGET - INCOME TAX BASIS

FOR THE YEAR ENDED DECEMBER 31, 2007

	ACTUAL	(UNAUDITED) BUDGET
EXPENSES (CONTINUED):		
BUILDING OPERATIONS:		
General maintenance and supplies	157,397	225,000
Elevator maintenance	65,479	43,000
Air conditioning repairs	56,212	40,000
Plumbing repairs and maintenance	46,510	34,000
HVAC repairs	42,105	48,000
Exterminating	33,950	30,000
Refuse removal	23,081	25,000
Landscaping	18,426	5,000
Door and lock repairs	13,938	5,000
Cleaning services	6,503	15,000
Uniform expense	9,035	4,000
Water treatment expense	5,394	16,000
Snow clearing	4,172	5,000
Electrical repairs	144	5,000
Hallway decorating expense	-	6,000
TOTAL BUILDING OPERATIONS EXPENSES	482,346	506,000
PAYROLL		
Salaries and wages	922,734	928,000
Payroll taxes	104,271	103,000
Medical insurance	89,069	117,000
Payroll service	4,669	8,000
Bonus	1,780	-
TOTAL PAYROLL EXPENSES	1,122,523	1,156,000

METROPOLIS TOWERS APARTMENT CORPORATION

SUPPLEMENTARY INFORMATION

SCHEDULE OF TOTAL REVENUES AND OPERATING EXPENSES AS

COMPARED TO BUDGET - INCOME TAX BASIS

FOR THE YEAR ENDED DECEMBER 31, 2007

	ACTUAL	(UNAUDITED) BUDGET
EXPENSES (CONTINUED):		
UTILITIES:		
Gas and electric	789,984	1,250,000
Water and sewer	449,444	447,000
Telephone	12,403	20,000
Cable	1,001	-
TOTAL UTILITIES EXPENSES	1,252,832	1,717,000
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	5,958,826	6,660,000
EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	689,346	-
DEPRECIATION AND AMORTIZATION	(445,243)	-
EXCESS OF REVENUES OVER EXPENSES	$ 244,103	$ -